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RUEHTV/AMEMBASSY TEL AVIV 0131  
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RUCPDOG/DEPT OF COMMERCE WASHINGTON DC

C O N F I D E N T I A L SECTION 01 OF 03 DHAKA 000841

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TAGS: [PREL](#) [ECON](#) [ETRD](#) [BEXP](#) [EINV](#) [EAIR](#) [ELAB](#) [BG](#)  
SUBJECT: AWAMI LEAGUE MUST GOVERN WELL, OR "WE WILL GO TO  
JAIL," SAYS COMMERCE MINISTER

REF: A. DHAKA 839 (NOTAL)  
[1](#)B. DHAKA 741 (NOTAL)

Classified By: Ambassador James Moriarty for Reasons 1.4 (b) and (d)

Summary  
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[1](#)1. (C) Commerce Minister Faruk Khan told the Ambassador August 25 that the Awami League government faced a stark choice: "if we do not govern well enough to win reelection, we will go to jail" when the opposition comes to power in five years. Khan said Prime Minister Hasina must do three things to win reelection: keep a lid on prices, reduce the energy deficit and ensure Awami League supporters do not abuse their power for personal and political ends. Khan said the Government of Bangladesh (GOB) was eager to sign a Trade and Investment Framework Agreement (TIFA) with the U.S. but would seek flexibility on labor, environment and intellectual property rights standards. Khan promised he would continue to advocate on behalf of American companies seeking to do business in Bangladesh.

Awami League Must "Win Reelection or Go to Jail"  
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[1](#)2. (C) Ambassador Moriarty called on GOB Minister of Commerce Faruk Khan on August 25 to solicit Khan's support for American companies doing business in Bangladesh and to discuss recent developments in the GOB's investigation of the February 2009 BDR mutiny (ref A). Khan told the Ambassador he had used a recent meeting with Prime Minister Hasina and her energy advisors to urge swift action to increase power production. "If we do not govern well enough to win reelection, we will go to jail," Khan recalled saying to Hasina. "If we do nothing and lose, the BNP will find some excuse to lock us up." Khan told the Prime Minister she must do three things in to win reelection.

First: "Keep Prices Stable"  
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[1](#)3. (C) Khan said media reports reporting price "explosions" were exaggerated and insisted that prices for most basic foodstuffs remained stable, despite a predictable spike at the beginning of Ramadan. Khan enumerated his actions, including a recent decision to drop import tariffs on sugar, to moderate price fluctuations. Nevertheless, Khan recognized the limits of his influence on market prices in

the face of countless independent factors, including unscrupulous traders, unpredictable weather, and smuggling to India. Illustrating the importance he placed on price variations for basic commodities, Khan succinctly reviewed recent price data, trends and explanations for more than a dozen basic commodities, from green chilis to rice, and indicated he would continue to follow market conditions closely.

#### Second: "Reduce the Energy Deficit"

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14. (C) Khan said he had urged Hasina to move quickly to close Bangladesh's power deficit. The Prime Minister would face criticism no matter what strategy she chose, Khan reasoned, so it was better to focus on speedy results; come the next election, voters would care whether they had better access to electricity, not how the electricity was generated.

Khan said he had argued forcefully to Hasina that the GOB had wasted time debating, and needed to move forward on, plans for a gas-fired power plant near the nation's largest gas field, Bibiyana, in northeast Bangladesh. Khan said Hasina had told her energy advisors she wanted a final decision on the plant "within one month." (NOTE: A company owned by Khan's brother is one of the bidders on this project. END NOTE.)

15. (C) Khan said he had bluntly warned Hasina against relying on China for Bangladesh's power needs. When Khaleda Zia inaugurated a Chinese-built power plant here, Khan recalled with a smirk, "the plant was closed for repairs before she even returned to her residence." Khan said he was

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pushing the GOB to approve open pit technology to exploit coal resources at Phulbari because shaft mining was too slow and inefficient and would result in too many accidental casualties.

#### Third: "Control Our Own Clowns"

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16. (C) "We need to keep our own clowns under control," Khan insisted. He worried that shenanigans by Awami League field organizations, like its youth and student wings, could bring a backlash at the ballot box. Khan said he had asked Hasina to consider whether such organizations continued to be useful. He had pointed out to her that the Awami League had won the 2009 elections handily, despite the lack of any "supporting" political activity during the two-year Caretaker Government preceding the election.

#### GOB Eager to Talk TIFA

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17. (C) Ambassador Moriarty conveyed U.S. interest in pursuing a bilateral TIFA, which had stalled during the previous governments. Khan said he was eager to conclude a TIFA. Having already read the working text, Khan listed three areas where he thought Bangladesh would seek some relaxation from the United States: labor standards, environmental standards, and intellectual property rights (IPR). Acknowledging that Bangladesh was exempt from WTO IPR commitments through 2016, the Ambassador told Khan the U.S. would nonetheless expect the GOB to ratchet up IPR enforcement, a development that would benefit Bangladesh's nascent industries. The Ambassador noted that the principles outlined in the draft TIFA would help Bangladesh become more competitive in the world marketplace. Khan agreed, but noted that political realities meant the GOB would seek some concessions on the basis of Bangladesh's status as a low-income country.

#### GOB Welcomes U.S. Businesses

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¶8. (C) Presenting the Awami League as a "business friendly government," Khan said he had argued forcefully on behalf of a number of U.S. companies including, most recently, Conoco Philips, which received approval August 24 from the Cabinet Purchase Committee to explore for gas in two off-shore blocks Conoco won at tender a year ago. Khan was shocked to learn Bangladesh's flag carrier Biman Airlines had jeopardized its landing rights at JFK by scuttling a recent tender to lease Boeing airplanes. (NOTE: The leases are meant to temporarily replace aging Biman aircraft until Boeing starts delivering new planes as part of the Boeing-Biman aircraft purchase deal. Biman has until November to begin flying to JFK, or it will lose the slot allotted to it. END NOTE.) Khan said he would contact the Civil Aviation minister to see if the leasing plan could be resuscitated.

¶9. (C) When the Ambassador presented plans that American companies Coca-Cola and Avery Dennison had for expanding their investments in Bangladesh, Khan promised to be supportive. Avery Dennison, which manufactures clothing labels in Bangladesh for a large volume of Bangladesh's garment exports, needed to import two machines to modernize its Bangladesh manufacturing line, the Ambassador noted. These Hewlett Packard machines, valued at more than USD 1 million, were assembled in Israel. (NOTE: Bangladesh, like many countries in the Muslim world, bans trade with Israel.) Thus far GOB officials had refused to permit the importation of these machines. Minister Khan pledged to try and overcome the ban so these machines could be imported. He clearly recognized the value to Bangladesh of Avery Dennison's continued operations here.

Khan Bullish on Trade with India  
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¶10. (C) Khan was bullish on prospects for trade with India's northeastern "Seven Sister" states, reiterating his comments to the media that Bangladesh would benefit from opening its Chittagong Port to transit trade for India. The

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Indian state of Tripura recently had imported 3 billion taka (USD 43 million) worth of bricks, providing jobs to 100,000 brick kiln workers in Bangladesh, Khan noted. He hoped Bangladesh could position Chittagong Port as the gateway to India's isolated Northeast, and pointed to Hasina's decision to chair a high-level GOB committee to expand Bangladesh's regional trade as evidence of her commitment to opening with India and other South Asian economies.

Comment: Khan is All Business  
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¶11. (C) With his emphasis on quick decisions and effective governance, Khan might have been reading from our talking points. Khan's military background shows through in his action-oriented approach to governing. We will follow up on his offers to help American companies seeking to do business in Bangladesh and seek useful meetings for Khan during planned visits by him to the U.S. in early September and November. On the TIFA, we will follow up with Commerce Ministry officials working on the proposed U.S. text to obtain the GOB's markup.

MORIARTY